

**General Assembly
Fiscal Review Committee**

June 2004

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
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John G. Morgan
Comptroller

June 17, 2004

The Honorable John S. Wilder
Speaker of the Senate
and
The Honorable Jimmy Naifeh
Speaker of the House of Representatives
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. James White, Executive Director
Fiscal Review Committee
War Memorial Building G-19
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Fiscal Review Committee for the period July 1, 2000, through April 23, 2004.

The review of internal control and compliance with applicable laws and regulations resulted in no audit findings.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/mb
04/081



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
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April 23, 2004

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have conducted a financial and compliance audit of selected programs and activities of the Fiscal Review Committee for the period July 1, 2000, through April 23, 2004.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we obtain an understanding of internal control significant to the audit objectives and that we design the audit to provide reasonable assurance of the Fiscal Review Committee's compliance with laws and regulations significant to the audit objectives. Management of the Fiscal Review Committee is responsible for establishing and maintaining effective internal control and for complying with applicable laws and regulations.

Our audit resulted in no audit findings.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/mb

State of Tennessee

A u d i t H i g h l i g h t s

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

Fiscal Review Committee

June 2004

AUDIT SCOPE

We have audited the Fiscal Review Committee for the period July 1, 2000, through April 23, 2004. Our audit scope included a review of management's controls and analytical procedures in the areas of expenditures and payroll and personnel. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT FINDINGS

The audit report contains no findings.

Financial and Compliance Audit Fiscal Review Committee

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Financial and Compliance Audit Fiscal Review Committee

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Fiscal Review Committee. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which requires the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

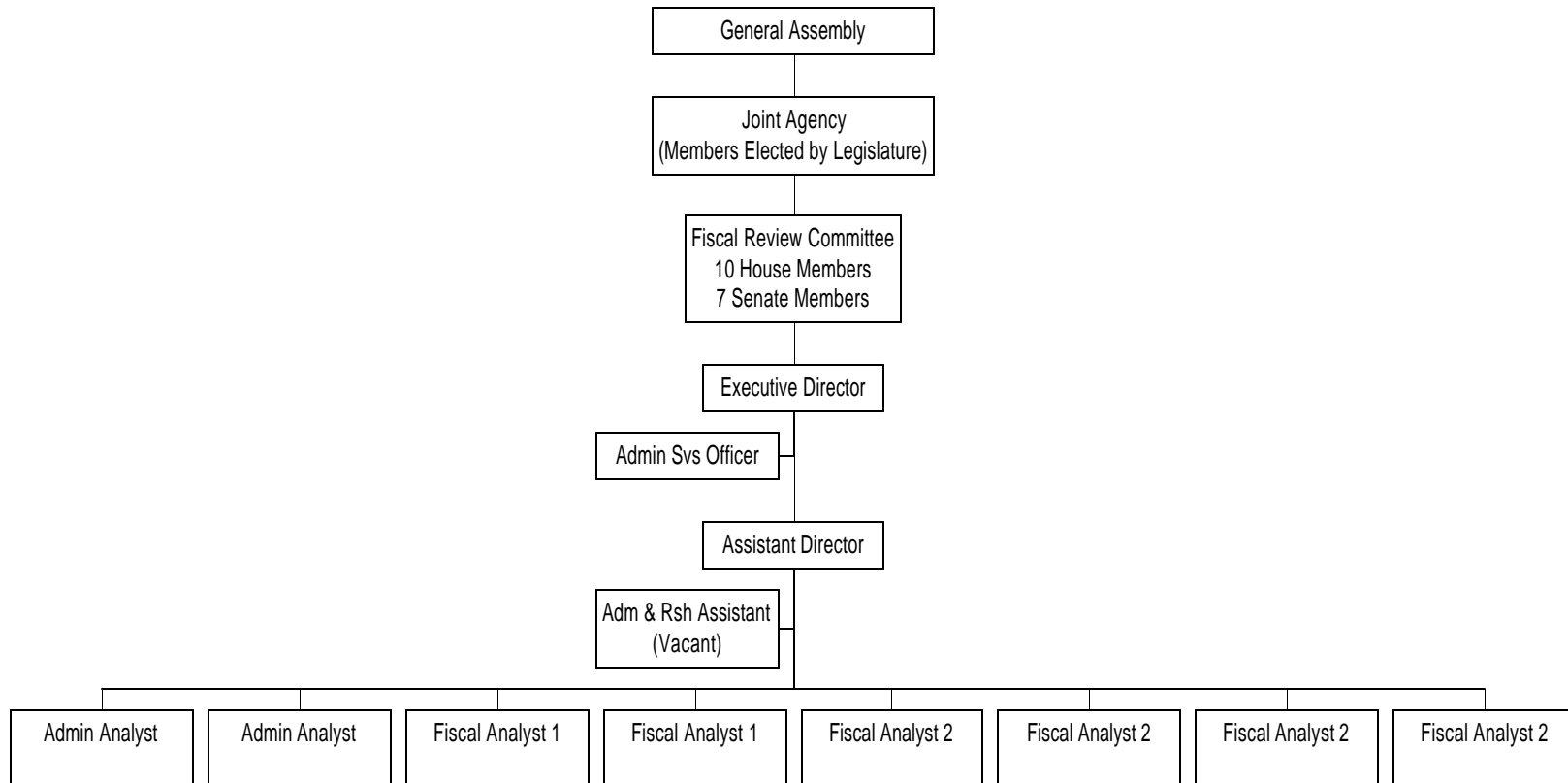
The Eighty-fifth General Assembly established the Fiscal Review Committee in 1967 as a special, continuing committee to keep the members of the legislature informed of the fiscal matters of the State of Tennessee. The committee is composed of six senators and nine representatives elected by their respective houses; the speakers of both houses; and the chairs of the Finance, Ways and Means Committees of both houses. The Comptroller of the Treasury serves as secretary and is directed to furnish staff as required.

The Fiscal Review Committee conducts a continuing review of the fiscal operations of state government. The committee is responsible for preparing and distributing the fiscal notes required by Section 3-2-107 of *Tennessee Code Annotated*. With the Comptroller and the Commissioner of Finance and Administration, the committee is responsible for reviewing, at least annually, the organization and operation of state government to determine if changes are needed.

An organization chart of the committee is on the following page.

FISCAL REVIEW COMMITTEE

ORGANIZATION CHART



AUDIT SCOPE

We have audited the Fiscal Review Committee for the period July 1, 2000, through April 23, 2004. Our audit scope included a review of internal control and compliance with laws and regulations in the areas of expenditures and payroll and personnel. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

EXPENDITURES

Our objectives in the review of expenditures were

- to consider management's overall internal control environment in planning the audit and preparing the written audit program,
- to obtain a general knowledge of the types and amounts of annual expenditures,
- to detect unusual or unexpected patterns or trends in expenditures, and
- to determine propriety of transaction authorization.

We interviewed key employees, reviewed the organization chart, examined relevant correspondence received, and considered management's overall control environment. Reports comparing current-year actual expenditures to prior-year actual expenditures and actual expenditures to budgeted expenditures for each fiscal year were obtained from the Division of State Audit's Information Technology staff. These reports were analyzed, and significant variances were discussed with the committee's administrative staff. Corroborating evidence was obtained and reviewed as considered necessary. Various documents identifying specific expenditures were examined for approval by the appropriate personnel. All documents reviewed were properly approved.

Based on our interviews, the review and analysis of reports of actual and budgeted expenditures, and review of supporting documentation for significant variances, it appears that the amounts and types of expenditures were in substantial conformity with budgeted expectations and no unexplained unusual or unexpected patterns or trends in expenditures occurred. Furthermore, expenditure transactions were properly authorized.

PAYROLL AND PERSONNEL

Our objectives in the review of payroll and personnel were

- to consider management's overall internal control environment in planning the audit and preparing the written audit program, and
- to perform analytical procedures to detect unusual or unexpected changes in gross pay.

We interviewed key employees, reviewed the organization chart, examined relevant correspondence received, and considered management's overall control environment. Reports of actual and budgeted payroll expenditures for each fiscal year were obtained from the Division of State Audit's Information Technology staff. The reports were analyzed, and significant variances were discussed with the committee's administrative staff. Corroborating evidence was obtained and reviewed as considered necessary.

Based on our interviews, the review and analysis of reports of actual and budgeted payroll, and review of supporting documentation for significant variances, it appears that the amounts and types of payroll expenditures were in substantial conformity with budgeted expectations and no unexplained unusual or unexpected patterns or trends in payroll occurred.

APPENDIX

ALLOTMENT CODE

Fiscal Review Committee allotment code—301.05